
INTERIM FINANCIAL REPORT

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Company and the Group for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

The financial information presented in this interim report has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the MFRSs and Amendments to MFRSs effective as of 1 January 2017:

Amendments to MFRS effective 1 January 2017

MFRS 12	Disclosure of Interests in Other Entities (under Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
MFRS 107	Statements of Cash Flow: Disclosure Initiative
MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Initial application of the Amendments to the MFRSs did not have material impact to the financial statements.

The Group has not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective:

MFRS and Amendments to MFRS effective 1 January 2018

MFRS 9	Financial Instruments (International Financial Reporting Standards 9 issued by International Accounting Standards Board in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 with MFRS 4
Amendments to MFRS 140	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosures of Interests in Other Entities)	

MFRS effective 1 January 2019

MFRS 16	Leases
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A1 Basis of preparation (cont'd)

Amendments to MFRS - effective date deferred indefinitely

MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impact to the financial statements, except for MFRS 9, MFRS 15 and MFRS 16. The adoption of these standards will result in changes in accounting policy, and the Group is currently assessing the impact of adopting these standards and will adopt the new standard on the required effective date.

A2 Audit report of preceding annual financial statement

The audited financial statements for the financial year ended 31 December 2016 were not subject to qualification except on a single matter. The current trade receivable of the Group which amounted to RM185,047,500 as at 31 December 2016 is due from Markmore Energy (Labuan) Limited (“MELL”), a company in which a controlling shareholder has control, and the auditors were unable to obtain sufficient appropriate audit evidence to ascertain its recoverability. The Company recognizes this as a long term receivable which recoverability should be attributable from the gas production stream.

A3 Seasonal or cyclical factors

The operations of the Group are not subject to seasonal or cyclical fluctuations.

A4 Unusual items

There were no unusual items that affected the assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

A5 Material changes in estimates

There were no material changes in estimates of amount reported during the quarter under review.

A6 Debt and equity securities

The Company has undertaken a private placement exercise for issuance of 386,611,000 ordinary shares during the current quarter. The said private placement was completed on 9 November 2017.

Other than as disclosed above, there were no other issuance and repayment of debt and equity securities, share buy backs, share cancellations, share held as treasury shares and resale of treasury shares during the current quarter under review.

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A7 Dividend paid

There were no dividends paid during the quarter under review.

A8 Segment information

The Group operates in a single reportable segment. It is essentially engaged in the management and oversight of the oil production operations at the Rakushechnoye Oil and Gas Field in Kazakhstan, and the provision of a study, design and planning of an integrated natural gas monetization programme in preparation of the exploitation of the gas / condensate in accordance to a detailed full field geological and geophysical study of the entire oil / gas concession area.

A9 Valuation of property, plant and equipment

There were no changes to the valuation of property, plant and equipment brought forward from the preceding annual audited financial statements.

A10 Material events subsequent to the end of the interim period

There were no other material events subsequent to the end of the current financial quarter, which are likely to substantially affect the results of the operations of the Group for the current quarter.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12 Contingent liabilities

The contingent liabilities of the Group as at 31 December 2017 are as below:-

	RM'000	Refer Note*
Unsecured:		
<u>Corporate guarantee granted to Semua International Sdn. Bhd. Group:</u>		
Ebony Ritz and its associates	10,000	B11 (ii)
<u>Parental guarantee:</u>		
Continental Industrial Supplies and Services Ltd. LLP	<u>27,351</u>	B11(viii)
	<u>37,351</u>	

* *The Company is involved in separate litigations and arbitration with the abovementioned parties, as disclosed in Note B11 of this interim financial report.*

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A13 Capital commitments

There were no capital commitments as at 31 December 2017.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS**B1 Review of performance**

For the period ended 31 December 2017, the Group's revenue was RM16.85 million as compared to RM8.11 million in the previous period ended 31 December 2016. The revenue was derived from the gas development contract billing. The lower revenue as well as provision for liabilities of RM51.87 million have resulted in a loss after tax of RM65.54 million as compared with profit after tax of RM1.51 million reported for the fourth quarter of 2016. The Management has taken prudent steps to increase the provision for liabilities due to the material litigation cases in progress.

B2 Variation of results against preceding quarter

	Current Year Quarter 31 Dec 2017 RM'000	Immediate Preceding Quarter 31 Dec 2016 RM'000
Revenue	<u>16,852</u>	<u>8,108</u>
Operating loss before provision	(9,684)	(270)
Less: Provision for liabilities	<u>(51,869)</u>	<u>-</u>
Loss before tax	<u>(61,553)</u>	<u>(270)</u>

The revenue / billing was in tandem with the current progress of the work program for the gas development plan. Profit was lower in the third quarter as it was minimal other income.

B3 Prospects

Prospects looks good with production going back to normal but at the same time we will have to deal with legacy debt issues while moving forward.

Conservatively, provisions have been made for these legacy debts as the newly reconstituted Board is of the view that the situation warrants serious consideration in order to protect the shareholders interest.

The Company is currently contemplating investigation into the unauthorized issuance of Guarantee.

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We believed the company's balance sheet will be able to absorb the legacy problem. With a better future cash flow, a strengthened management and with meaningful and continued support from the main shareholder, the Board expects the Company to be nearer to being debt-free.

The Board is examining the causes for these legacy debts and will take appropriate action as necessary.

Looking at the 2017 Q4 financial result, the Board is expecting a better performance and good profits. The operating and business environment has improved and expecting more parties will be keen to participate.

The Concession is a quality asset. It is an onshore oilfield which requires modest capital expenditure. The Brent oil price range from USD60 – 65 per barrel with capital expenditure per well-being just a fraction of the capital expenditure required for off-shore wells, the cost per barrel for our operation will be very low.

The upsizing effort on Sumatec via the corporate exercise is expected to proceed. Notwithstanding the above, the corporate exercise will further strengthen the Company with the acquisition to the asset and enable the Company to meet all its financial obligations.

B4 Forecast profit

The Company has not issued any profit forecast for the financial period under review.

B5 Taxation

	Current Year Quarter 31 Dec 17 RM'000	Current Year To Date 31 Dec 17 RM'000
Income tax:		
Current year provision	<u>3,991</u>	<u>3,991</u>

B6 Unquoted investments and/or properties

There were no purchases or sales of unquoted securities during the current quarter under review and current year to date.

B7 Quoted securities

There were no purchases or sales of quoted securities during the financial quarter under review and financial year to date.

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B8 Status of corporate proposals

- (i) Proposed acquisition of 100% equity in Borneo Energy Oil & Gas Ltd**
- (ii) Proposed acquisition of 100% equity in MELL as announced on 1 July and 26 August 2016**
- (iii) Proposed Corporate Exercise and LPG Production as first announced on 17 February 2017**
- (iv) Proposed Acquisition of Markmore Energy (Labuan) Limited**

The Company had on 26 October 2017 entered into a heads of agreement (“Heads of Agreement”) with Markmore Sdn Bhd (“Markmore” or the “Vendor”) for the purpose of recording their understanding and intention in respect of the proposed acquisition of 100% equity interest in Markmore Energy (Labuan) Limited from Markmore (“Proposed Acquisition”) for the indicative purchase consideration of USD370,000,000 (equivalent to RM1,554,000,000) and to take all such steps and do all acts and things so as to effect and implement the said Proposed Acquisition upon the terms and conditions contained in the Heads of Agreement.

The Company will formally terminate the exercises as detailed in B8(i), (ii) and (iii) above upon the signing of the Share Sale Agreement for the Proposed Acquisition.

In conjunction with the Proposed Acquisition and to comprehensively address all financial issues currently faced, the Board also proposes to undertake the following corporate exercises:-

- (a) A balance sheet reconstruction exercise to eliminate the accumulated losses and to consolidate the number of shares (“Proposed Capital Reduction”). Upon completion of the Proposed Capital Reduction, Sumatec proposes to consolidate every four (4) existing Shares into one (1) Share (“Proposed Share Consolidation”);
- (b) Equity fund raising exercise to fund the cash portion of the consideration for the Proposed Acquisition and for the development of the Rakushechnoye Oil and Gas Field. The Board proposes to undertake an equity fund raising exercise in the form of a rights issue to raise a minimum proceed of RM1,521.9 million. Entitled shareholders will be indicatively offered to subscribe for fifteen (15) new Shares (“Rights Shares”) for every two (2) existing Shares held after the Proposed Share Consolidation. As a sweetener, the Board also proposes to offer six (6) free warrants (“Warrants-C”) and two (2) free Shares (“Bonus Shares”) for every fifteen (15) Rights Shares subscribed; and
- (c) Comprehensive settlement of the Sumatec group’s debt and financial obligations. The Board proposes to comprehensively settle the above obligations through the following:-
 - a. issuance of up to 840,000,000 redeemable convertible preference shares (“RCPS”) at an indicative issue price of RM0.20 per RCPS (equivalent to USD40.0 million) to the creditors set out in (a) above;
 - b. issuance of up to 672,000,000 RCPS at an indicative issue price of RM0.20 per RCPS (equivalent to USD32.0 million) for the settlement of the amount owing to MELL set out in paragraph (b) above and well repairs cost set out in (c) above; and
 - c. the USD30 million deposit paid by Sumatec for the acquisition of Borneo Oil and Gas Limited shall be off-set against the well maintenance and new wells expenditures set out in (c) above. (collectively, the “Proposed Debt Settlement”)

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The indicative purchase consideration of USD370,000,000 for the Proposed Acquisition (“Purchase Consideration”) shall be satisfied in the following manner:

- (a) by way of payment in cash of USD290,000,000 (equivalent to RM1,218,000,000); and
- (b) issuance of up to 1,680,000,000 new ordinary shares in Sumatec (“Sumatec Shares” or “Shares”) amounting to USD80,000,000 (equivalent to RM336,000,000), at an issue price of RM0.20 per Consideration Share or based on the 5-day volume weighted average price of the Sumatec Shares preceding the price fixing date, whichever is higher. For avoidance of doubt, the issue price shall be adjusted for the effects of the Proposed Share Consolidation (as defined hereunder).

The settlement of the Purchase Consideration shall be made in RM computed at the USD/RM exchange rate of USD1.00 only equivalent to RM4.20 only.

The Company is in the midst of completing the due diligence requirements necessary for the implementation of the Proposed Acquisition.

Once completed, the Scheme shall achieve the following:

1. **Acquire and own tangible oil and gas assets.** Under the previous Joint Investment Agreement (2012), the Company’s role was limited to being an investor and operator of the Rakushechnoye Field. Under this new arrangement, the Company will effectively own the entire oil and gas assets and reserves.
2. **Enhanced credit profile with greater flexibility on raising funding** for future development. By having full control of the assets and operations in the oil field, the Company will have more options for future fundraising.
3. **A fully funded field work programme, on track to achieve higher productivity.** Together with brighter industry outlook, we are confident of stabilising and improving the Company’s financial position and cashflow.
4. **A clean slate where the Company’s debts (including those related to Semua Shipping) and receivables are resolved.** This will remove any concerns by the Auditors and also resolve any outstanding or potential legal proceedings (eg. Section 218, winding up).
5. **A cohesive and synergistic operating structure.** The 2012 JIA arrangement has necessitated the setting up of our subsidiary, Sumatec Oil and Gas LLP, to act as the agent between Sumatec and COG. With the Proposed Acquisition, Sumatec will be able to consolidate its activities in Kazakhstan that eliminates duplication in functions, office facilities and potential conflict of interest as well as streamlining the line of reporting and co-ordination of work activities, which is expected to result in greater operations efficiency and cost saving

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(v) Proposed Private Placement (Completed)

On 7 June 2017, the Company announced the proposed private placement of up to 386,611,000 new ordinary shares in the Company, representing ten percent (10%) of the total issued and paid-up share capital of the Company, to independent third party investor(s) to be identified ("Proposed Private Placement"). Bursa Malaysia Securities Berhad had on 25 September 2017 approved the Proposed Private Placement and the said proposal was completed on 9 November 2017.

B9 Group borrowings and debt securities

The Group's borrowings as at 31 December 2017 are as follows:

	RM'000
Secured:	
- Short Term	22,530
- Long Term	-
	<u>22,530</u>

All of the Group current borrowings are denominated in Ringgit Malaysia. The Group does not have or issue any debt securities during the quarter under review.

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk issued during the quarter under review.

**B11 Material litigation
(classified under legacy debt in description)****A. Litigation to be settled via the proposed Corporate Exercise as announced on 27 October 2017**

- (i) NFC Labuan Shipleasing I Ltd. vs. Sumatec Resources Berhad
- (ii) Malaysian Trustees Berhad & 3 Ors vs. Sumatec Resources Berhad
- (iii) Malayan Banking Berhad vs Sumatec Resources Berhad
- (iv) Bank Pembangunan Malaysia Berhad vs. Semado Maritime Sdn Bhd
- (v) Notice of Demand to Sumatec Resources Berhad by Malayan Banking Berhad

The Company is engaged in litigation with creditors in relation to the guarantees and commitments given by the Company (prior to 2013) on behalf of its shipping associate, i.e. Semua International Shipping Group. The Company is currently undergoing preparation of term sheet for the said proposal to the parties mentioned above.

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B. Others (Related to Shipping Matters)

In 2013, Sumatec into an Sales and Purchase Agreement to dispose the balance of its shareholdings in Semua International Shipping Group (i.e. 51%) to the Hoe Leong Group in two tranches. Another salient point of the Sale and Purchase Agreement is for Hoe Leong's undertaking to take over or indemnify Sumatec for the corporate guarantees given to the shipping group. However, Hoe Leong did not complete the second tranche nor did it fulfilled its undertaking to take over the corporate guarantees. The cases below are in relation to this matter and Sumatec is defending its position and/or counter claiming against Hoe Leong. Notwithstanding, Sumatec is considering to propose a global settlement if parties are able to agree to the terms of proposal (as per parties mentioned at above section A)

- (a) Ebony Ritz Sdn. Bhd. vs. Sumatec Resources Berhad
- (b) Sumatec Resources Berhad vs. Hoe Leong Corporation Ltd. / Ebony Ritz Sdn. Bhd. / Setinggi Holdings Ltd.

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2016, except for the following cases:

(i) Sumatec Corporation Sdn. Bhd. ("the Subsidiary") vs. Greentech Chemical Sdn. Bhd. (formerly known as Himpunan Sari Sdn. Bhd.) ("GCSB")

On 28 July 2016, the Subsidiary's solicitors filed proof of debt for RM10,979,325, being total amount claimed from GCSB as at 17 June 2014. The matter is pending the calling of a creditors meeting by the liquidator.

**(ii) Ebony Ritz Sdn. Bhd. ("Ebony") vs. Sumatec Resources Berhad ("the Company")
High Court of the Republic of Singapore – suit no. HC/S 534/2016**

By its Writ of Summons dated 24 May 2016, Ebony Ritz claimed that the Company owes RM37,017,163. On 20 April 2017, the Court in Singapore decided for a stay in judgment until further notice. However, the Company also filed a Writ of Summons and Statement of Claim on 19 April 2017 against Hoe Leong Corporation Ltd., Ebony Ritz Sdn. Bhd. and Setinggi Holdings Ltd. ("Ebony Ritz and its associates") in the Kuala Lumpur High Court for the default in completing the share sale agreement dated 21 December 2012. The Company is in the process of filing the stay of execution and the appeal to the Court of Appeal by 8 December 2017. On 30 November 2017, the Ebony Ritz was granted with an anti-suit injunction from the Singapore High Court under HC/SUM 3187/2017 herein restraining or maintaining and continuing the suit under KLHC suit no. WA-22NCC-142-04/2017. Ebony Ritz was also granted summary judgment which was delivered on 9 November 2017 ("**Judgment**") on the OFRA claim.

The Company lawyers have filed of the notice of appeal to the Court of Appeal on 20 November 2017. Subsequently, the Company has also filed its appeal record on 14 February 2018. In the meantime, the Court of Appeal has directed parties to settle matter amicable and requested parties to mediate the matter before the Singapore Mediation Centre ("SMC") which is now fix for mediation on 19 March 2018.

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**(iii) Sumatec Resources Berhad (“the Company”) vs. Hoe Leong Corporation Ltd. / Ebony Ritz Sdn. Bhd. / Setinggi Holdings Ltd. (“the Defendants”)
Kuala Lumpur High Court – suit no. WA-22NCC-142-04/2017**

The Company filed a Writ of Summons and Statement of Claim on 19 April 2017 against the Defendants for the Defendants’ breach of contract and conspiracy to defraud and injure the Company. The Company is seeking an order of specific performance against the Defendants in respect of the Sale and Purchase Agreement dated 21 December 2012 and the Primary CLO Transaction Settlement Agreement dated 28 May 2013 (“Agreements”). The Defendants are to indemnify the Company against all loss and damage, contingent or otherwise, sustained by the Company.

All parties are required to file and serve their respective Affidavit in Reply by or on 24 November 2017. The Company has filed and served on 26 October 2017 an Affidavit in Reply opposing the Stay Application of the defendants. Thereafter for the parties to file their respective written submissions in respect of the Stay Application by the 1st, 2nd, 4th and 5th Defendants (the Stay Applications) on 30 November 2017. On 30 November 2017, the Defendants were granted with an anti-suit injunction from the Singapore High Court under suit no. HC/SUM 3187/2017 restraining or maintaining and continuing the Company case against the defendants.

In the meantime, the Court of Appeal has directed parties to settle matter amicable and requested parties to mediate the matter before the Singapore Mediation Centre (“SMC”) which now fix for mediation on 9 March 2018.

The Company’s claim against the Defendants is also related to the ongoing legal claims made by Ebony Ritz Sdn. Bhd., Bank Pembangunan Malaysia Berhad, NFC Labuan Shipleasing I Ltd., Malaysian Trustees Berhad and Malayan Banking Berhad due to the Defendants’ failure to release and discharge the Plaintiff from the Sumatec Guarantees pursuant to the terms of the Agreements.

**(iv) Bank Pembangunan Malaysia Berhad (“BPMB”) vs. Semado Maritime Sdn Bhd (“Semado”), a subsidiary of associated company
Kuala Lumpur High Court – suit no. WA-27NCC-61-10/2016 and WA-27NCC-62-10/2016**

Pursuant to the corporate guarantee issued by Sumatec Resources Berhad (“Sumatec”) in year 2008 to BPMB for Semado, Sumatec is liable only if the value realised from the sale of Semado’s vessels is less than the total amount outstanding. The outstanding sum agreed by BPMB before the disposal of the vessels is RM73.8 million. The Kuala Lumpur High Court, during the hearing on 27 April 2017 for BPMB’s application for judicial sale, has granted order in terms of the judicial sale applications with costs of RM5,000 for each application to be paid by Semado to BPMB. Sumatec is not a named party to the above suits and has not received any legal recourse. Pursuant to the corporate guarantee issued to BPMB for Semado, Sumatec has been prudent and made provision of RM44,192,400 in the 2016 audited financial statements. Semado has also been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 13 April 2017. There were no notice of demand has been served on the Company on the Guarantee. Nevertheless. The Company has written a letter on 10 November 2017 to BPMB for a possible discussion on an amicable settlement.

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During the meeting on 29 January 2018, BPMB informed the company that the order for sale under the judicial sale is yet to dispose of the ships as it is awaiting better offer but nevertheless The Company has recently met BPMB on the Company's announcement on its intended Corporate Exercise to propose its proposed proposal on a without prejudice basis. The company is in its midst of submitting its term sheet on its proposed settlement scheme.

**(v) NFC Labuan Shipleasing I Ltd. ("NFC") vs. Sumatec Resources Berhad ("the Company")
Kuala Lumpur High Court – suit no. WA-28NCC-594-07/2016**

On 5 April 2016, NFC through its solicitors issued a letter of demand for the Company to settle the debt of Semua Chemical Shipping Sdn Bhd totalling USD13,064,272 or approximately RM58,606,324. Subsequently, a winding up petition was served on the Company. On 15 March 2017, the Court has dismissed NFC's winding up petition and with costs of RM20,000 to be paid to the Company. On the 30 March 2017, NFC has filed an appeal against the dismissal of the NFC winding-up petition against the Company. The winding up petition was strike out by NFC on 16 March 2017. No further action on the matter.

**(vi) Malaysian Trustees Berhad & 3 Ors ("CLO") vs. Sumatec Resources Berhad ("the Company")
Kuala Lumpur High Court – suit no. WA-22NCC-52-02/2017**

The Company has been served the Writ and Statement of Claim filed by the CLO on 23 February 2017 for an amount owing under the Facilities, in the sum of RM72,333,945.10 together with interest. The Company has filed its Defence and Counterclaim on 27 April 2017.

The Counterclaim is filed against the CLO, Hoe Leong Corporation Ltd. and Setinggi Holdings Ltd. for among others – i) the breach of the settlement agreement dated 28 May 2013 and ii) for Hoe Leong Corporation Ltd. and Setinggi Holdings Ltd. to make payment to the CLO under the settlement agreement and to indemnify the Company against all loss and damage sustained by the Company. The solicitor of the Company is of the opinion that the Company stands a fair chance in defending the CLO claims under the enforced settlement agreement dated 28 May 2013. The matter has been fixed for further case management on the 30 May 2017. The Company was served with Summary Judgement Application under Order 14 and on 28 April 2017 while the Company filed its Defence and Counterclaim on 27 April 2017.

The Company thereafter on 2 October 2017 changed its solicitors to M/s Nathan and accordingly filed a notice to file amendments to the defence before the hearing of the Summary Judgment Application and Striking-Off Application of the Plaintiff. The court granted Order in Terms with no Order to Cost for Amendments of the defence. The Hearing of the Plaintiff Application was held orally on 10 November 2017 and Court is to deliver its decision on 22 November 2017.

The Matter came up for decision before the judge and accordingly the Plaintiff's application for summary judgment (Enclosure 4) and the striking out application (Enclosure 12) was dismissed. The grounds of dismissal on both the applications (Enclosure 4 and 12) with costs in the cause on the brief grounds that the case is not a plain and obvious case, it is contested and the Defendant's defence merits a trial. The Court has now fixed the case for case management on 22.12.2017 to update the court on the status of service of the defence and the company's counterclaim against Hoe Leong Corporation Limited and Setinggi Holdings Limited.

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The High Court has now fixed the next case management on 28 February 2018. In the meantime, CLO has now filed two (2) appeals under appeal no. W-02(IM)(NCC)-2469-12/2017 & W-02(IM)(NCC)-2470-12/2017 on the dismissal of their application for which the court has fixed the appeals for case management on 5 April 2018 and for hearing on 16 April 2018.

The Company has also approached the Malaysian Trustee Berhad and its Bondholders on 12 February 2018 i.e. CLO on its announcement on its intended Corporate Exercise to proposed its proposed proposal on a without prejudice basis. The company is in its midst of submitting its term sheet on its proposed settlement scheme.

(vii) Notice of Demand to Sumatec Resources Berhad (“the Company”) by Malayan Banking Berhad (“MBB”)

In total, the amount demanded by MBB is RM121,428,857 arising from six term loans and one overdraft facility. There are in total six vessels attached as security to the term loans. The notice of demand arises from MBB’s claim against the subsidiary of an associated company, Semua Shipping Sdn Bhd (“SSSB”). Pursuant to the corporate guarantee issued by the Company to MBB for SSSB, the Company has been prudent and made provision of RM27,222,857 in the 2016 audited financial statements. The Company has not received any further notice of legal proceedings in relation to the corporate guarantee.

SSSB has been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 9 March 2017.

The Company has recently open discussion for settlement proposal on 6 February 2018 with MBB based on Corporate Exercise undertaken by the company on its recent announcement on its corporate exercise. The company is in its midst of submitting its term sheet on its proposed settlement scheme.

(viii) Continental Industrial Supplies and Services Ltd LLP vs. Sumatec Resources Berhad (“the Company”) LCIA Arbitration No. UN163528

In 2013, Continental Industrial Supplies and Services Ltd LLP (“CISS”) entered into a contract for the provision of integrated project management of the Rakushechnoye Oil and Gas Field with COG. However, in 2015, with market price for oil plummeting, CISS was advised to slow down on the contracted works. CISS then entered into a Parent Guarantee Agreement (“PGA”) dated 2 May 2016 with the Company of which the Company has agreed to guarantee the payment to CISS of USD6,097,044.05 or approximately RM27,351,340 plus interest. Pursuant to the PGA, the Company has fulfilled partial payment of USD1,175,746.00 or approximately RM5,274,397. Both parties intend to commence arbitration proceedings at the London Court of International Arbitration on the claim of the balance in the PGA.

At the Arbitration the Respondent then raised preliminary issues to be determined before the arbitrator proceeding with the arbitral proceeding. The preliminary issues are:

- (1) Did Mr. James Chan have authority to agree the PGA on behalf of SRB? (Authority Issue); and

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- (2) Did the PGA impose primary obligations on SRB to pay money to CISS, or did it merely render SRB as surety for the liabilities of COG/SOG under the Contract? (Interpretation Issue).

On 3 November 2017, the Claimant served its submissions on the Authority Issue and Interpretation Issue. On 7 November 2017, the Respondent's solicitor requested for an extension of time to serve its submission by 24 November 2017 and proposed that the Claimant shall serve the Claimant's Submission in Reply by 1 December 2017. The Claimant has no objection to the said request and proposal by the Respondent's solicitor. Therefore, such request was granted by the arbitrator.

On 9 November 2017, the Claimant's solicitors request the arbitrator to issue a final award on the whole of the Claimant's claim in the event the arbitrator decides the Preliminary Issues in the Claimant's favour. On the same date, the arbitrator directed both parties to provide comments on the question whether the arbitrator has the jurisdiction to make a final award in a case where the arbitrator has yet to rule on the Preliminary Issues. Such comments must be made by close of business London time on 16 November 2017.

The arbitrator has accordingly delivered its First Partial Award on the Preliminary Issues that (1) Mr. James Chan had the authority to agree the PGA on behalf of SRB and (2) the PGA imposed a primary obligations on SRB to pay money to CISS. Now, the arbitrator has requested the Claimant to provide its proposals as to the future disposal of this reference by close of business on Friday, 23 February 2018), including its submissions on costs on all issues arising and the Respondent to provide its reply 14 days thereafter. The Tribunal will then rule on the issues arising as and if required.

- (ix) **Malayan Banking Berhad vs Sumatec Resources Berhad – KLHC WA-22NCC-382-09/2017**

The Company was served with an Writ of Summons and Statement of Claim on 5 October 2017 for a corporate guarantee provided for on behalf of Semado Maritime Sdn.Bhd as per letter of guarantee dated 25 November 2005. The letter of guarantee is for overdraft facility provided to Semado Maritime Sdn.Bhd by Malayan Banking Berhad for an amount of RM1,480,000.00 of which Sumatec shall be liable if Semado Maritime Sdn. Bhd. is unable to fulfil its obligation under the overdraft facility.

Semado Maritime Sdn Bhd was wound up on 13 April 2017 and according the overdraft facility was recalled and terminated by Malayan Banking Berhad.

Malayan Banking Berhad had now filed the suit to claim for the sum of RM1,103,768.32 together with interest and cost for the failure for Semado Maritime Sdn. Bhd. to repay the payment as demanded by Malayan Banking Berhad.

Accordingly, Sumatec has filed its defence on the claim on 31 October 2017 and Malayan Banking Berhad in return had filed and served their reply on 14 November 2017. On 8 November 2017, Malayan Banking Berhad has also filed for Summary Judgment pursuant to Order 14 and Sumatec also filed its reply to the Order 14 application on 16 November 2017. Sumatec is currently awaiting for the hearing date to be fixed by the court.

On 29 January 2018 the Court delivered its decision, allowing Malayan Banking Berhad to enter judgment for amount of RM1,103,768.32 with interest and cost.

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The Company has also approached the MBB on its announcement on its intended Corporate Exercise to propose its proposed proposal on a without prejudice basis on 6 February 2018. The company is in its midst of submitting its term sheet on its proposed settlement scheme.

B12 Dividends

No dividend has been recommended during the quarter under review.

B13 (Loss) / Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 17	Preceding Year Corresponding Quarter 31 Dec 16	Current Year To Date 31 Dec 17	Preceding Year Corresponding Year 31 Dec 16
Basic (loss) / earnings per share				
Net (loss) / profit attributable to shareholders (RM'000)	(65,544)	1,513	(63,667)	29,709
Number of ordinary shares at the beginning of the period ('000)	3,866,114	3,717,934	3,866,114	3,482,695
Weighted average increase in share capital ('000)	285,477	37,248	71,956	272,487
Weighted average number of shares at the end the period ('000)	4,151,591	3,755,182	3,938,070	3,755,182
Basic (loss) / earnings per share (sen)	(1.58)	0.04	(1.62)	0.79
Diluted (loss) / earnings per share				
Weighted average number of shares ('000)	4,151,591	3,755,182	3,938,070	3,755,182
Effect of warrants and ESOS ('000) *	-	-	-	-
Weighted average number of ordinary shares - diluted ('000)	4,151,591	3,755,182	3,938,070	3,755,182
Diluted (loss) / earnings per share (sen)	(1.58)	0.04	(1.62)	0.79

* Not taken into account in the computation of diluted earnings per share because the effect is anti-dilutive.

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Save as disclosed below and included in the consolidated statements of profit and loss and other comprehensive income or in the notes of these statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Listing Requirements of Bursa Securities:

	Current Year Quarter 31 Dec 17 RM'000	Current Year To Date 31 Dec 17 RM'000
Depreciation of property, plant and equipment	(57)	(261)
Amortisation of intangible asset	18	(475)
Interest income	8	10
Interest expenses	(1,597)	(3,291)
Loss on disposal of property, plant and equipment	-	(22)
Amortisation of unwinding discount on financial assets	2,882	11,528
Foreign exchange loss - realised	(239)	(524)
Provision for liabilities	(51,869)	(51,869)
Foreign exchange loss - unrealised	(13,491)	(21,167)

B15 Disclosure of realised and unrealised accumulated losses

	Group 31 Dec 17 RM'000	Group 31 Dec 16 RM'000
Total accumulated losses:		
- Realised	(234,750)	(173,544)
- Unrealised	(115,285)	(4,615)
	(350,035)	(178,159)
Consolidated adjustments	60,230	37,764
	(289,805)	(140,395)

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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The interim financial statements were approved for issue by the Board of Directors in accordance with a Directors' resolution dated 28 February 2018.

By Order of the Board

Lim Seck Wah (MAICSA No. 0799845)
M. Chandrasegaran A/L S. Murugasu (MAICSA No. 0781031)
Company Secretaries

Dated: 28 February 2018
Kuala Lumpur